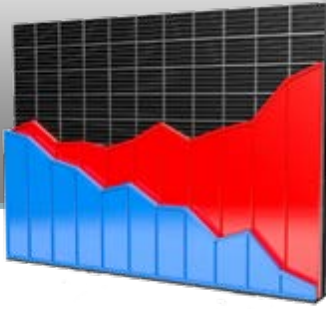


Budgets and Financial Reports



Sample

Corporate Training Materials

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Preface

What is Courseware?



Welcome to Corporate Training Materials, a completely new training experience!

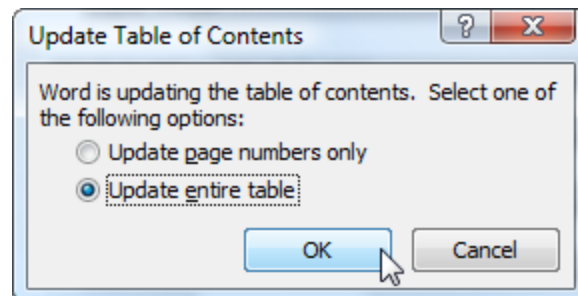
Our courseware packages offer you top-quality training materials that are customizable, user-friendly, educational, and fun. We provide your materials, materials for the student, PowerPoint slides, and a take-home reference sheet for the student. You simply need to prepare and train!

Best of all, our courseware packages are created in Microsoft Office and can be opened using any version of Word and PowerPoint. (Most other word processing and presentation programs support these formats, too.) This means that you can customize the content, add your logo, change the color scheme, and easily print and e-mail training materials.

How Do I Customize My Course?

Customizing your course is easy. To edit text, just click and type as you would with any document. This is particularly convenient if you want to add customized statistics for your region, special examples for your participants' industry, or additional information. You can, of course, also use all of your word processor's other features, including text formatting and editing tools (such as cutting and pasting).

To remove modules, simply select the text and press Delete on your keyboard. Then, navigate to the Table of Contents, right-click, and click Update Field. You may see a dialog box; if so, click "Update entire table" and press OK.

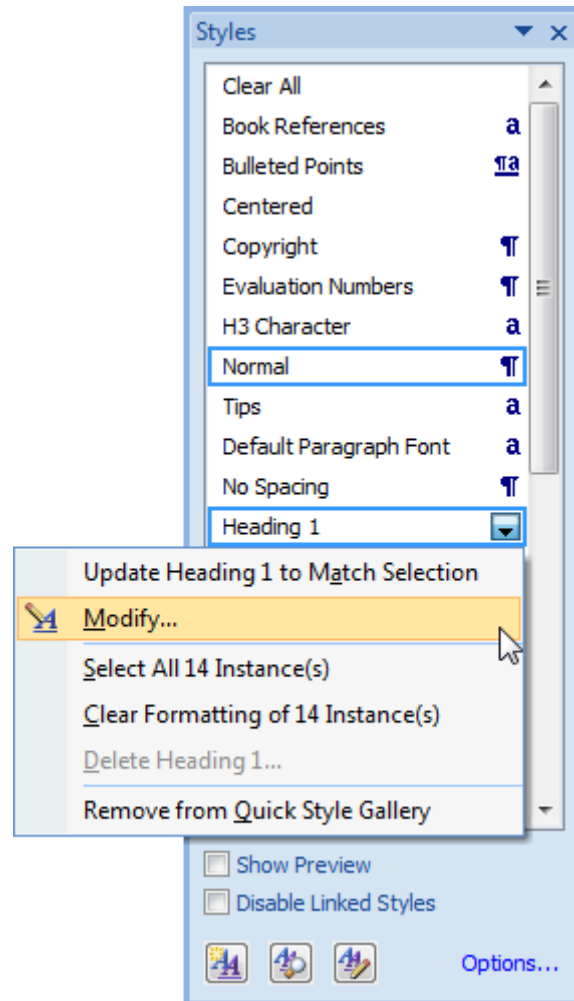


(You will also want to perform this step if you add modules or move them around.)

If you want to change the way text looks, you can format any piece of text any way you want. However, to make it easy, we have used styles so that you can update all the text at once.

If you are using Word 97 to 2003, start by clicking the Format menu followed by Styles and Formatting. In Word 2007 and 2010 under the Home tab, right-click on your chosen style and click Modify. That will then produce the Modify Style options window where you can set your preferred style options.

For example, if we wanted to change our Heading 1 style, used for Module Titles, this is what we would do:



Now, we can change our formatting and it will apply to all the headings in the document.

For more information on making Word work for you, please refer to [Word 2007 or 2010 Essentials](#) by Corporate Training Materials.

Materials Required

All of our courses use flip chart paper and markers extensively. (If you prefer, you can use a whiteboard or chalkboard instead.)

We recommend that each participant have a copy of the Training Manual, and that you review each module before training to ensure you have any special materials required. Worksheets and handouts are included within a separate activities folder and can be reproduced and used where indicated. If you would like to save paper, these worksheets are easily transferrable to a flip chart paper format, instead of having individual worksheets.

We recommend these additional materials for all workshops:

- Laptop with projector, for PowerPoint slides
- Quick Reference Sheets for students to take home
- Timer or watch (separate from your laptop)
- Masking tape
- Blank paper

Maximizing Your Training Power

We have just one more thing for you before you get started. Our company is built for trainers, by trainers, so we thought we would share some of our tips with you, to help you create an engaging, unforgettable experience for your participants.

- **Make it customized.** By tailoring each course to your participants, you will find that your results will increase a thousand-fold.
 - Use examples, case studies, and stories that are relevant to the group.
 - Identify whether your participants are strangers or whether they work together. Tailor your approach appropriately.
 - Different people learn in different ways, so use different types of activities to balance it all out. (For example, some people learn by reading, while others learn by talking about it, while still others need a hands-on approach. For more information, we suggest Experiential Learning by David Kolb.)
- **Make it fun and interactive.** Most people do not enjoy sitting and listening to someone else talk for hours at a time. Make use of the tips in this book and your own experience to keep your participants engaged. Mix up the activities to include individual work, small group work, large group discussions, and mini-lectures.
- **Make it relevant.** Participants are much more receptive to learning if they understand why they are learning it and how they can apply it in their daily lives. Most importantly, they want to know how it will benefit them and make their lives easier. Take every opportunity to tie what you are teaching back to real life.
- **Keep an open mind.** Many trainers find that they learn something each time they teach a workshop. If you go into a training session with that attitude, you will find that there can be an amazing two-way flow of information between the trainer and trainees. Enjoy it, learn from it, and make the most of it in your workshops.

And now, time for the training!

Icebreakers

Each course is provided with a wide range of interactive Icebreakers. The trainer can utilize an Icebreaker to help facilitate the beginning of the course, as it helps “break the ice” with the participants. If the participants are new to each other, an icebreaker is a great way to introduce everyone to each other. If the participants all know each other it can still help loosen up the room and begin the training session on positive note. Below you will see one of the icebreakers that can be utilized from the Icebreakers folder.

Icebreaker: Friends Indeed

Purpose

Have the participants moving around and help to make introductions to each other.

Materials Required

- Name card for each person
- Markers

Preparation

Have participants fill out their name card. Then, ask participants to stand in a circle, shoulder to shoulder. They should place their name card at their feet. Then they can take a step back. You as the facilitator should take the place in the center of the circle.

Activity

Explain that there is one less place than people in the group, as you are in the middle and will be participating. You will call out a statement that applies to you, and anyone to whom that statement applies must find another place in the circle.

Examples:

- Friends who have cats at home
- Friends who are wearing blue
- Friends who don't like ice cream

The odd person out must stand in the center and make a statement.

The rules:

- You cannot move immediately to your left or right, or back to your place.
- Let's be adults: no kicking, punching, body-checking, etc.

Play a few rounds until everyone has had a chance to move around.

Training Manual Sample

On the following pages is a sample module from our Training Manual. Each of our courses contains twelve modules with three to five lessons per module. It is in the same format and contains the same material as the Instructor Guide, which is then shown after the Training Manual sample, but does not contain the Lesson Plans box which assists the trainer during facilitation.

The Training Manual can be easily updated, edited, or customized to add your business name and company logo or that of your clients. It provides each participant with a copy of the material where they can follow along with the instructor.

*Never spend your money before
you have earned it.*

Thomas Jefferson

Sample Module: Understanding Financial Statements



Financial statements are the communication tools for the organization. There are many aspects of a business's financial dealings reported in financial statements. Revenues coming in and expenses going out are key data that require reporting. Tangible items like equipment, property, and cash reserves are also reported in financial statements. Understanding these financial statements opens the door to analyzing finance data for budgeting, controlling, and making decisions.

This module will discuss the following topics:

- Balance sheets
- Income statements
- Statement of retained earnings
- Statement of cash flows
- Annual reports

The two most widely known statements are the balance sheet and income statement.

Balance Sheets



The balance sheet is a report on the financial condition of an organization and is required by GAAP. In the balance sheet, assets are expressed in terms of liabilities and capital, which must equal each other.

Assets are the cash on hand, properties owned, and monies owed to the organization and can be liquidated and pay the organization's debt.

Liabilities are the debts the organization owes to their creditors and this goes against assets. In addition, the organization's assets belong to the owners, this is called capital, and this goes against the assets.

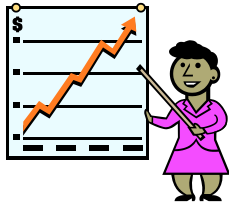
The balance sheet can reveal a lot about a company. The level of debt the companies owes against what it owns in cash and properties could reveal a liquidity problem.

Furthermore, if a company has no debts and huge level of assets, this may be a sign that the company is not running efficiently and is allowing the assets to remain idle instead of using it for a return.

Balance sheets are usually set up as columns always comparing the assets versus the liabilities and capital. Many times balance sheets will show the previous month or year's data for comparison.

Later in this course, you will get a chance to use the figures from the balance sheet to determine specific financial ratios that will help you understand the organization's financial condition.

Income Statements (AKA Profit & Loss Statements)



The income statement is a summary of the income and expenses of an organization in a given period and is required by GAAP. Usually companies create monthly and yearly income statements.

Income statements list all the areas where income is generated. Sometimes, the income is categorized certain categories:

- Income from sales
- Income from interest
- Income from investments

The income statement also contains the expenses and this can be categorized too:

- Dividend expense
- Operating expense
- Cost of goods sold
- Taxes

The net income or loss is calculated by subtracting the expenses from the income. This number represents the income or loss after all expenses are applied. This number is usually incorporated into the statement of retained earnings discussed later in this module.

The income statement gives you the ability to determine how well the company is bringing in income. If the expenses are greater than the income then the net income will become the net loss, which subtracts from the owner's equity in the statement of retain earnings.

The income statement is also called the Profit and Loss Statement because it indicates by the calculations mention earlier.

The format of the income statement is usually in column format and it can be presented along with the previous month or year's information for quick comparisons. In addition, you may see the changes expressed in percentages.

Statement of Retained Earnings

The statement of retained earnings can appear on a balance sheet, income statement or a separate financial report. This report is required by GAAP and it reports the change in owner's equity from one period to another.



The basic components of the statement of retained earnings include the following:

- Beginning balance
- Net Income/loss
- Dividends paid
- Ending balance

The resulting calculation is then applied to the owner's equity under the capital heading on the balance sheet.

Statement of Cash Flows



The statement of cash flows helps to determine how cash flowed in and out of the company. This is considered a mandatory financial report. The statement of cash flows does not factor in cash flows from credit transactions or accounting maneuvers like depreciation expense. The statement of cash flows can be a complicated report to produce, but understanding it is not so difficult.

There are three main components of the statement of cash flows. They are the following:

- Cash flow from operations
- Cash flow from investing
- Cash flow from financing

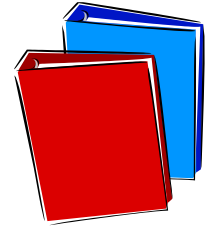
When the cash flow reveals that the majority of the cash flowing in is from operations, this is a good sign for regulators, stockholders, and investors.

A negative cash flow does not necessarily mean the company is doing poorly. There could have been a large investment in equipment or inventory. Negative cash flow situations require more analyzing to determine why it is negative.

However, a negative cash flow resulting from poor operations could be a sign of a company going bankrupt. Understanding the cash flow will help you understand how the company is obtaining the cash and how they are using the cash.

Annual Reports

The annual report is an annual document that provides a comprehensive report on the financial activities of the past year of an organization. Along with the financial reports are reports from key people in and out of the organization.



Here are the basic components of an annual report:

- Chairman's report
- CEO's report
- Auditor's report
- Mission statement
- Corporate governance statement
- Statement of director's responsibilities
- Balance sheet
- Statement of retained earnings
- Income statement
- Cash flow statement
- Notes to the financial statements
- Accounting policies

Investors and stockholders use the annual report and the government reviews these reports for compliance to regulations. Understanding that all company activities eventually is incorporated into the annual report.

As a manager, you may not see the relevance of the annual report for your daily job, but realizing how you run your department may reflect on this annual report makes it worthwhile to know what reports go into the annual report.

Instructor Guide Sample

On the following pages is a sample module from our Instructor Guide. It provides the instructor with a copy of the material and a Lesson Plans box. Each Instructor Guide and Training Manual mirrors each other in terms of the content. They differ in that the Instructor Guide is customized towards the trainer, and Training Manual is customized for the participant.

The key benefit for the trainer is the Lesson Plan box. It provides a standardized set of tools to assist the instructor train that particular lesson. The Lesson Plan box gives an estimated time to complete the lesson, any materials that are needed for the lesson, recommended activities, and additional points to assist in delivering the lessons such as Stories to Share and Delivery Tips.

*Never spend your money before
you have earned it.*

Sample Module: Understanding Financial Statements



Financial statements are the communication tools for the organization. There are many aspects of a business's financial dealings reported in financial statements. Revenues coming in and expenses going out are key data that require reporting. Tangible items like equipment, property, and cash reserves are also reported in financial statements. Understanding these financial statements opens the door to analyzing finance data for budgeting, controlling, and making decisions.

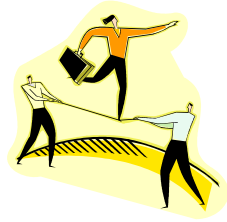
This module will discuss the following topics:

- Balance sheets
- Income statements
- Statement of retained earnings
- Statement of cash flows
- Annual reports

The two most widely known statements are the balance sheet and income statement.

Balance Sheets

Estimated Time	10 Minutes
Topic Objective	Participants will identify the components and use of the balance sheet.
Topic Summary	<p>The balance sheet reports the financial condition of an organization and contains the following components:</p> <ul style="list-style-type: none">• Assets, Liabilities, and Capital <p>Total assets should always equal liabilities and capital in order to be considered balanced.</p>
Materials Required	Balance Sheet sample and Balance Sheet worksheet
Planning Checklist	<ul style="list-style-type: none">• Prepare enough handouts and samples for all participants• Become familiar with the components of a balance sheet
Recommended Activity	<ol style="list-style-type: none">1. Distribute all handouts2. Review Balance Sheet Sample3. Have participants complete worksheet4. Allow 3-4 minutes5. Debrief by going over talking points and review questions
Delivery Tips	<p>Write the balance sheet equation on a flip chart of board.</p> <p>$\text{Assets} = \text{Liabilities} + \text{Capital}$</p>
Review Questions	<p>What does the balance sheet report?</p> <ul style="list-style-type: none">• The financial condition of the organization



The balance sheet is a report on the financial condition of an organization and is required by GAAP. In the balance sheet, assets are expressed in terms of liabilities and capital, which must equal each other.

Assets are the cash on hand, properties owned, and monies owed to the organization and can be liquidated and pay the organization's debt.

Liabilities are the debts the organization owes to their creditors and this goes against assets. In addition, the organization's assets belong to the owners, this is called capital, and this goes against the assets.

The balance sheet can reveal a lot about a company. The level of debt the companies owes against what it owns in cash and properties could reveal a liquidity problem.

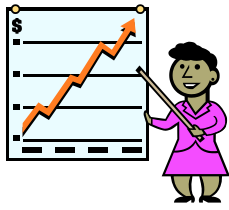
Furthermore, if a company has no debts and huge level of assets, this may be a sign that the company is not running efficiently and is allowing the assets to remain idle instead of using it for a return.

Balance sheets are usually set up as columns always comparing the assets versus the liabilities and capital. Many times balance sheets will show the previous month or year's data for comparison.

Later in this course, you will get a chance to use the figures from the balance sheet to determine specific financial ratios that will help you understand the organization's financial condition.

Income Statements (AKA Profit & Loss Statements)

Estimated Time	10 Minutes
Topic Objective	Participants will identify the components and use of the income statement.
Topic Summary	<p>The income statement provides a summary of the income and expenses of the organization usually on a monthly or annual basis. The main components of the income statement are the following:</p> <ul style="list-style-type: none">• Income, expenses, and net income or loss
Materials Required	Income Statement sample and Income Statement worksheet
Planning Checklist	<ul style="list-style-type: none">• Prepare enough handouts and samples for all participants• Become familiar with the components of an income statement
Recommended Activity	<ol style="list-style-type: none">1. Distribute all handouts2. Review Income Statement Components for a 1-2 minutes3. Encourage questions4. Review Income Statement Sample5. Have participants complete worksheet6. Allow 3-4 minutes7. Debrief by going over talking points and review questions
Delivery Tips	<p>Write the income statement equation on a flip chart of board.</p> $\text{Income} - \text{Expense} = \text{Net Income/loss}$
Review Questions	<p>What does an income statement report?</p> <ul style="list-style-type: none">• Summary of the income and expenses of the organization



The income statement is a summary of the income and expenses of an organization in a given period and is required by GAAP. Usually companies create monthly and yearly income statements.

Income statements list all the areas where income is generated. Sometimes, the income is categorized certain categories:

- Income from sales
- Income from interest
- Income from investments

The income statement also contains the expenses and this can be categorized too:

- Dividend expense
- Operating expense
- Cost of goods sold
- Taxes

The net income or loss is calculated by subtracting the expenses from the income. This number represents the income or loss after all expenses are applied. This number is usually incorporated into the statement of retained earnings discussed later in this module.

The income statement gives you the ability to determine how well the company is bringing in income. If the expenses are greater than the income then the net income will become the net loss, which subtracts from the owner's equity in the statement of retain earnings.

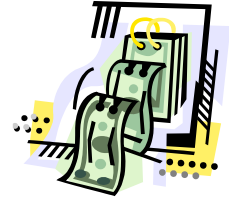
The income statement is also called the Profit and Loss Statement because it indicates by the calculations mention earlier.

The format of the income statement is usually in column format and it can be presented along with the previous month or year's information for quick comparisons. In addition, you may see the changes expressed in percentages.

Statement of Retained Earnings

Estimated Time	5 Minutes
Topic Objective	Participants will understand the purpose of the statement of retained earnings.
Topic Summary	<p>The statement of retained earnings shows the change in retained earnings from one period to another. The components consist of the following:</p> <ul style="list-style-type: none">Beginning balance, net income or loss, dividends paid, ending balance
Materials Required	Statement of Retained Earnings sample
Planning Checklist	<ul style="list-style-type: none">Prepare enough handouts and samples for all participantsBecome familiar with the components of the statement of retained earnings
Recommended Activity	<ol style="list-style-type: none">Distribute handoutReview Statement of Retained EarningsAllow 1-2 minutesEncourage questionsDebrief by going over talking points and review questions
Delivery Tips	<p>Write this basic calculation on the flipchart or board.</p> $\text{Beginning balance} + \text{net income/loss} - \text{Dividends paid} = \text{Ending Balance}$
Review Questions	<p>Where do the retained earnings go once it is calculated?</p> <ul style="list-style-type: none">It is either added or subtracted from the owner's equity

The statement of retained earnings can appear on a balance sheet, income statement or a separate financial report. This report is required by GAAP and it reports the change in owner's equity from one period to another.



The basic components of the statement of retained earnings include the following:

- Beginning balance
- Net Income/loss
- Dividends paid
- Ending balance

The resulting calculation is then applied to the owner's equity under the capital heading on the balance sheet.

Statement of Cash Flows

Estimated Time	5 Minutes
Topic Objective	Participants will understand the purpose of the statement of cash flows.
Topic Summary	<p>The statement of cash flows tells what cash flowed in and out of the company. It removes cash that flowed in and out of the company that are based on credit. The basic components of the statement of cash flows are the following:</p> <ul style="list-style-type: none">• Cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities
Materials Required	Statement of Cash Flows sample
Planning Checklist	<ul style="list-style-type: none">• Prepare enough handouts and samples for all participants• Become familiar with the components of the statement of cash flows
Recommended Activity	<ol style="list-style-type: none">1. Distribute handout2. Review Statement of cash flows3. Allow 1-2 minutes4. Encourage questions5. Debrief by going over talking points and review questions
Review Questions	<p>If the statement of cash flows help predict future cash coming to the organization, what activity can this help you accomplish?</p> <ul style="list-style-type: none">• Creating a budget



The statement of cash flows helps to determine how cash flowed in and out of the company. This is considered a mandatory financial report. The statement of cash flows does not factor in cash flows from credit transactions or accounting maneuvers like depreciation expense. The statement of cash flows can be a complicated report to produce, but understanding it is not so difficult.

There are three main components of the statement of cash flows. They are the following:

- Cash flow from operations
- Cash flow from investing
- Cash flow from financing

When the cash flow reveals that the majority of the cash flowing in is from operations, this is a good sign for regulators, stockholders, and investors.

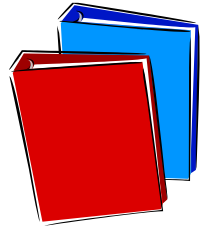
A negative cash flow does not necessarily mean the company is doing poorly. There could have been a large investment in equipment or inventory. Negative cash flow situations require more analyzing to determine why it is negative.

However, a negative cash flow resulting from poor operations could be a sign of a company going bankrupt. Understanding the cash flow will help you understand how the company is obtaining the cash and how they are using the cash.

Annual Reports

Estimated Time	5 Minutes
Topic Objective	Participants will understand the components and use of the annual reports.
Topic Summary	<p>The annual report is a report comprised of many reports and is published and made public annually. The basic components of the annual report includes the following:</p> <ul style="list-style-type: none">Chairman's report, CEO's report, Auditor's report, Mission statement, corporate governance, balance sheet, statement of retained earnings, income statement, cash flow statement and more
Materials Required	Annual Report Components handout
Planning Checklist	<ul style="list-style-type: none">Prepare enough handouts and samples for all participantsBecome familiar with the components of the annual report
Recommended Activity	<ol style="list-style-type: none">Distribute handoutReview annual report componentsAllow 1-2 minutesEncourage questionsDebrief by going over talking points and review questions
Delivery Tips	If possible, obtain a couple sample copies of annual reports to pass around the classroom.
Review Questions	<p>What are some things you would do with the information found on an annual report?</p> <ul style="list-style-type: none">Answers will vary

The annual report is an annual document that provides a comprehensive report on the financial activities of the past year of an organization. Along with the financial reports are reports from key people in and out of the organization.



Here are the basic components of an annual report:

- Chairman's report
- CEO's report
- Auditor's report
- Mission statement
- Corporate governance statement
- Statement of director's responsibilities
- Balance sheet
- Statement of retained earnings
- Income statement
- Cash flow statement
- Notes to the financial statements
- Accounting policies

Investors and stockholders use the annual report and the government reviews these reports for compliance to regulations. Understanding that all company activities eventually is incorporated into the annual report.

As a manager, you may not see the relevance of the annual report for your daily job, but realizing how you run your department may reflect on this annual report makes it worthwhile to know what reports go into the annual report.

Activities

During the presentation of the material a Worksheet or Handout may be utilized to help present the material. If a lesson calls for a Worksheet or Handout to be used it will be listed in the Lesson Plan box under Materials Required. The trainer can then utilize the Activities folder for the corresponding material and then provide it to the participants. They are all on their own Word document, and are easily edited and customized.

Below you will see the Worksheets or Handouts that are utilized during the training of the above lesson. They are located in the Activities folder and can be easily printed and edited for the participants.

Sample Worksheet: Balance Sheet

Create a small balance sheet with the information below.

Capital \$30,200

Equity \$200

Cash \$15,300

Building \$25,000

Accounts Receivable \$1,000

Other Capital \$400

Accounts Payable \$20,000

Land \$10,000

Supplies \$500

Balance Sheet			
	\$		\$
	\$		\$

Sample Worksheet: Income Statement

Create a small income statement with the information below.

Wages \$23,000

Fee Income \$750

Commissions Earned \$51,000

Insurances \$3,000

Interest Income \$2,500

Taxes \$4,250

Utilities \$1,500

Depreciation \$1,000

Equipment Rental \$300

Dividends \$2,500

[illegible]

Sample Worksheet: Statement of Cash Flows

[Name] [Time Period]

Cash flows from operating activities	
Cash received from customers	
Cash paid for merchandise	
Cash paid for wages and other operating expenses	
Cash paid for interest	
Cash paid for taxes	
Other	
Net cash provided (used) by operating activities	

Cash flows from investing activities	
Cash received from sale of capital assets (plant and equipment, etc.)	
Cash received from disposition of business segments	
Cash received from collection of notes receivable	
Cash paid for purchase of capital assets	
Cash paid to acquire businesses	
Other	
Net cash provided (used) by investing activities	

Cash flows from financing activities	
Cash received from issuing stock	
Cash received from long-term borrowings	
Cash paid to repurchase stock	
Cash paid to retire long-term debt	
Cash paid for dividends	
Other	
Net cash provided (used) in financing activities	
Increase (decrease) in cash during the period	
Cash balance at the beginning of the period	
Cash balance at the end of the period	

Quick Reference Sheets

Below is an example of our Quick reference Sheets. They are used to provide the participants with a quick way to reference the material after the course has been completed. They can be customized by the trainer to provide the material deemed the most important. They are a way the participants can look back and reference the material at a later date.

They are also very useful as a take-away from the workshop when branded. When a participant leaves with a Quick Reference Sheet it provides a great way to promote future business.

Budgets and Financial Reports

Understanding GAAP

The Generally Accepted Accounting Principles were developed to give a consistent framework for companies to use in structuring their financial statements. Organizations are required to follow GAAP standards and most accountants and auditors are familiar with this concept and use it every day.



- When is revenue recognized as actual revenue that can be counted? This prevents overstatement of revenues by determining when revenue can be claimed or recognized.
- Balance sheet item classification standardizes the items found on the balance sheet to avoid confusion.
- Outstanding share measurements

Common Types of Budgets

Sales budget: This budget estimates future sales. This is usually broken down into units and dollars. This budget is used to create company sales goals.

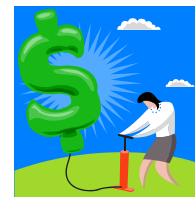
Production budget: This budget estimates the number of units that must be manufactured to meet sales goals. The production budget also estimates the various costs involved with manufacturing those units, which includes labor and materials.

Cash Flow/Cash budget: This budget predicts future cash receipts and expenditures for a particular time. It is usually for the short-term future. The cash flow budget helps businesses determine when income will be sufficient to cover expenses and when the company will need to get a loan to cover expenses during this time.

Marketing budget: This budget is an estimate of the funds needed for promotion, advertising, and public relations in order for the organization to market their product or service.

Project budget: This budget is a prediction of the costs associated with a particular project. These costs include labor, materials, and other related expenses. The project budget is often broken down into specific tasks called activities, with budgets assigned to each.

Expenditure budget: This budget estimates what expenses the organization will have for a time. This could include supplies for sale, office supplies, and bills.



Using the Average



Taking the average of actual yearly numbers can help to forecast what the next budget could be. Of course, you may need to factor in economic data like inflation or increases in taxes. Averaging the numbers is an easy process when using a spreadsheet program.

You can use information from the past five years and average them. You can also average the percent change between the years to determine how much to increase the new budget for the

new term.

Certificate of Completion

Every course comes with a Certificate of Completion where the participants can be recognized for completing the course. It provides a record of their attendance and to be recognized for their participation in the workshop.

CERTIFICATE OF COMPLETION

[Name]

Has mastered the course

Budgets and Financial Reports

Awarded this _____ day of _____, 20__

Presenter Name and Title

PowerPoint Sample

Below you will find the PowerPoint sample. The slides are based on and created from the Training Manual. PowerPoint slides are a great tool to use during the facilitation of the material; they help to focus on the important points of information presented during the training.

Sample Module: Understanding Financial Statements

Financial statements are the communication tools for the organization. Understanding these financial statements opens the door to analyzing finance data for budgeting, controlling, and making decisions.

This module will discuss the following topics:

- Balance sheets
- Income statements
- Statement of retained earnings
- Statement of cash flows
- Annual reports

*Never spend
your money
before you have
earned it.*

*Thomas
Jefferson*

Balance Sheets

In the balance sheet, assets are expressed in terms of liabilities and capital, which must equal each other.

The balance sheet can reveal a lot about a company.

The level of debt the companies owes against what it owns in cash and properties could reveal a liquidity problem.



Income Statements (AKA Profit & Loss Statements)

Income statements list all the areas where income is generated.

Sometimes, the income is categorized certain categories:

- Income from sales
- Income from interest
- Income from investments

The income statement also contains the expenses and this can be categorized too:

- Dividend expense
- Operating expense
- Cost of goods sold
- Taxes



Statement of Retained Earnings

The basic components of the statement of retained earnings include the following:

- Beginning balance
- Net Income/loss
- Dividends paid
- Ending balance



Statement of Cash Flows

There are three main components of the statement of cash flows:

- Cash flow from operations
- Cash flow from investing
- Cash flow from financing



Annual Reports

Here are the basic components of an annual report:

- | | |
|--|-------------------------------------|
| • Chairman's report | • Balance sheet |
| • CEO's report | • Statement of retained earnings |
| • Auditor's report | • Income statement |
| • Mission statement | • Cash flow statement |
| • Corporate governance statement | • Notes to the financial statements |
| • Statement of director's responsibilities | • Accounting policies |



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